

PAW PAW DISTRICT LIBRARY

Report on Audit of Financial Statements
For the Year Ended
December 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Paw Paw District Library	County Van Buren
Fiscal Year End December 31, 2007	Opinion Date February 4, 2008	Date Audit Report Submitted to State 3-24-08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

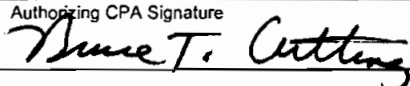
US
NO

Check each applicable box below. (See instructions for further detail.)

- n/a
1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. ☒ ☐ The local unit has adopted a budget for all required funds.
 5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. ☒ ☐ The local unit is free of repeated comments from previous years.
 12. ☐ ☒ The audit opinion is UNQUALIFIED.
 13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Cutting & Cutting, P.C.		Telephone Number (269) 657-4720	
Street Address 303 Paw Paw Street		City Paw Paw	State MI
Authorizing CPA Signature 		Printed Name Bruce T. Cutting	Zip 49079
		License Number 11466	

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WILLIAM A. CUTTING
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February 4, 2008

INDEPENDENT AUDITOR'S REPORT

To the Paw Paw District Library Board
Paw Paw, Michigan

We have audited the accompanying financial statements of Paw Paw District Library as of December 31, 2007, and for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Paw Paw District Library, as of December 31, 2007, or the changes in its financial position for the year then ended.

Cutting & Cutting, P.C.

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS
GENERAL FUND
PAW PAW DISTRICT LIBRARY
December 31

	<u>2007</u>	<u>2006</u>
Assets		
Cash and equivalents	\$ <u>812,548</u>	\$ <u>689,840</u>
Total current assets	812,548	689,840
Restricted assets	<u>2,500</u>	<u>2,500</u>
Total assets	\$ <u>815,048</u>	\$ <u>692,340</u>
Liabilities and Fund Balance		
Fund balance		
Reserved	\$ 602,500	\$ 502,500
Unreserved	<u>212,548</u>	<u>189,840</u>
Total fund balance	<u>815,048</u>	<u>692,340</u>
Total liabilities and fund balance	\$ <u>815,048</u>	\$ <u>692,340</u>

STATEMENT OF CHANGES IN FUND BALANCES - CASH BASIS
Years ended December 31

	<u>2007</u>	<u>2006</u>
Revenues	\$ 736,785	\$ 678,177
Expenditures	<u>614,077</u>	<u>540,554</u>
Excess of revenues over expenditures	122,708	137,623
Beginning fund balance	<u>692,340</u>	<u>554,717</u>
Ending balance	\$ <u>815,048</u>	\$ <u>692,340</u>

See notes to financial statements.

STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL - CASH BASIS
GENERAL FUND
PAW PAW DISTRICT LIBRARY
Year ended December 31

		<u>2007</u>		
	<u>Amended</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
	<u>Budget</u>		<u>Favorable</u>	
			<u>(Unfavorable)</u>	
Revenues				
Property taxes	\$ 592,000	\$ 606,428	\$ 14,428	\$ 554,823
State aid	8,920	8,905	(15)	9,414
Revenue sharing		3,246	3,246	3,246
Photocopying	2,080	2,792	712	2,603
Penal fines	55,000	62,511	7,511	65,160
Fines	7,000	7,063	63	7,711
Interest	23,500	43,448	19,948	33,501
Donations	900	1,260	360	970
Miscellaneous	<u>600</u>	<u>1,132</u>	<u>532</u>	<u>749</u>
	\$ <u>690,000</u>	\$ <u>736,785</u>	\$ <u>46,785</u>	\$ <u>678,177</u>
Expenses				
Salaries, fringe benefits, and related items	\$ 424,500	\$ 414,314	\$ 10,186	\$ 372,357
Supplies	19,700	16,157	3,543	15,581
Professional and contracted services	53,000	44,778	8,222	9,131
Telephone and utilities	32,500	24,553	7,947	22,336
Books, tapes and magazines	68,010	50,465	17,545	55,837
Travel and seminars	10,000	10,000		4,948
Insurance	9,500	8,067	1,433	8,416
Repairs	27,650	26,148	1,502	19,517
Capital outlay	20,000	14,713	5,287	32,331
Special events	200	199	1	(1,194)
Miscellaneous	1,750	1,453	297	1,294
Election	5,000	3,230	1,770	
Contingency	<u>18,190</u>	<u></u>	<u>18,190</u>	<u></u>
	\$ <u>690,000</u>	\$ <u>614,077</u>	\$ <u>75,923</u>	\$ <u>540,554</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
PAW PAW DISTRICT LIBRARY
December 31, 2007

Summary of significant accounting policies

The accompanying financial statements and budget information have been prepared using the cash basis of accounting.

A. Reporting Entity

During 1987 the electors voted to become a district library. The District conforms to the boundaries for the Paw Paw Public Schools, and includes a portion of the following townships: Almena, Antwerp, Lawrence, Paw Paw and Waverly. On the election dated May 8, 2007, the electors voted to renew the levy of up to one mill for a period of twenty years. On June 13, 1994, the electors voted an additional .3 mill for library operations. In June, 1997 the electors voted an additional .5 mill for library operations. The Library's financial statements include the accounts of all library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability.

B. Fund Accounting

The accounts of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

C. Deposits and Investments

Michigan Compiled Laws, Section 129.91 (Public Act. 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

<u>Deposits</u>	<u>Amount On Deposit</u>	<u>Carrying Value</u>
Insured	\$ 200,000	\$ 200,000
Not insured	617,732	614,948

Custodial credit risk is the risk that in the event of a bank failure, the library's deposits may not be returned to it. The library does not have a deposit policy for custodial credit risk. At year end, the library had \$617,732 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.

D. Restricted assets contains the following amount:

Powless Memorial	\$ 2,500
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During 2006 (effective January 1, 2007) the Library Board added \$100,000 to their previously reserved fund balance for capital improvement purposes. The current reserved fund balance is now \$600,000. This figure plus the Powless Memorial equals the \$602,500 in reserved fund balance as shown in the financial statement.

E. Possible Property Purchase

Included in capital outlay in 2006 (and in 2005) is a \$5,000 option payment to a local property owner. This payment secured the library's ability to purchase the property as a possible building site under certain terms. The option was not renewed in 2007.

F. Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the following December 1 and are due on February 14. Taxes levied by the Library are collected by various townships and periodically remitted to the Library. The 2007 tax rate levied was 1.7507 mills. Property taxes receivable at December 31, 2007 and 2006 approximated \$683,000 and \$580,000, respectively.

G. Budgets

Budgets are adopted on the cash basis and are amended from time to time.

H. Risks

The Library is subject to certain risks of property loss, liability and personal injury. The Library has purchased various policies from commercial insurance companies to cover these risks.

I. Change in Reporting Format

GASB 34 requires certain governmental units to change their reporting format to allow for recognition of physical assets, depreciation expense and certain other items. The Library has not adopted this format.

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February 4, 2008

Paw Paw District Library
Paw Paw, Michigan 49079

In planning and performing our audit of the financial statements of the Paw Paw District Library as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Library does not have procedures in place to prepare financial statements in accordance with United States generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Paw Paw District Library Board and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Cutting & Cutting, P.C.